

Fidelity National Financial, Inc.
Form 10-Q
July 30, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number 1-32630
FIDELITY NATIONAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware 16-1725106
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

601 Riverside Avenue, Jacksonville, Florida 32204
(Address of principal executive offices) (Zip Code)
(904) 854-8100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

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The number of shares outstanding of the Registrant's common stock as of June 30, 2015 were:

FNF Group Common Stock 279,565,496

FNFV Group Common Stock 78,171,787

FORM 10-Q
QUARTERLY REPORT
Quarter Ended June 30, 2015
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Part I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except share data)

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value, at June 30, 2015 and December 31, 2014 includes pledged fixed maturity securities of \$349 and \$499, respectively, related to secured trust deposits	\$2,826	\$ 3,025
Preferred stock available for sale, at fair value	300	223
Equity securities available for sale, at fair value	289	145
Investments in unconsolidated affiliates	703	770
Other long-term investments	110	172
Short-term investments	294	334
Total investments	4,522	4,669
Cash and cash equivalents, at June 30, 2015 and December 31, 2014 includes \$406 and \$136, respectively, of pledged cash related to secured trust deposits	1,383	700
Trade and notes receivables, net of allowance of \$32, at both June 30, 2015 and December 31, 2014, respectively	574	504
Goodwill	4,740	4,721
Prepaid expenses and other assets	591	484
Capitalized software, net	567	570
Other intangible assets, net	1,072	1,110
Title plants	393	393
Property and equipment, net	555	635
Income taxes receivable	—	59
Total assets	\$ 14,397	\$ 13,845
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,313	\$ 1,308
Notes payable	2,829	2,803
Reserve for title claim losses	1,612	1,621
Secured trust deposits	784	622
Income taxes payable	82	—
Deferred tax liability	666	703
Total liabilities	7,286	7,057
Commitments and Contingencies:		
Redeemable non-controlling interest by 35% minority holder of ServiceLink Holdings, LLC as of June 30, 2015 and 33% minority holder of Black Knight Financial Services, LLC and 35% minority holder of ServiceLink Holdings, LLC as of December 31, 2014	344	715
Equity:	—	—

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FNF Group common stock, \$0.0001 par value; authorized 487,000,000 shares as of June 30, 2015 and December 31, 2014; outstanding of 279,565,496 and 279,443,239 as of June 30, 2015 and December 31, 2014, respectively, and issued of 281,041,158 and 279,824,125 as of June 30, 2015 and December 31, 2014, respectively		
FNFV Group common stock, \$0.0001 par value; authorized 113,000,000 shares as of June 30, 2015 and December 31, 2014; outstanding of 78,171,787 and 92,828,470 as of June 30, 2015 and December 31, 2014, respectively, and issued of 80,613,212 and 92,946,545 as of June 30, 2015 and December 31, 2014, respectively	—	—
Preferred stock, \$0.0001 par value; authorized 50,000,000 shares; issued and outstanding, none	—	—
Additional paid-in capital	4,755	4,855
Retained earnings	1,300	1,150
Accumulated other comprehensive (loss) earnings	(21	) 2
Less: treasury stock, 3,917,087 shares as of June 30, 2015 and 493,737 shares as of December 31, 2014, at cost	(87	) (13
Total Fidelity National Financial, Inc. shareholders' equity	5,947	5,994
Non-controlling interests	820	79
Total equity	6,767	6,073
Total liabilities, redeemable non-controlling interest and equity	\$ 14,397	\$ 13,845
See Notes to Condensed Consolidated Financial Statements		

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 (Dollars in millions)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Revenues:				
Direct title insurance premiums	\$547	\$433	\$964	\$784
Agency title insurance premiums	597	518	1,038	922
Escrow, title related and other fees	857	715	1,665	1,361
Restaurant revenue	371	358	735	712
Interest and investment income	32	36	63	65
Realized gains and (losses), net	(9)	(1)	(9)	1
Total revenues	2,395	2,059	4,456	3,845
Expenses:				
Personnel costs	690	623	1,313	1,272
Agent commissions	451	395	784	702
Other operating expenses	482	407	948	825
Cost of restaurant revenue	313	303	619	603
Depreciation and amortization	104	84	204	201
Provision for title claim losses	69	57	120	110
Interest expense	32	33	63	64
Total expenses	2,141	1,902	4,051	3,777
Earnings from continuing operations before income taxes and equity in earnings (losses) of unconsolidated affiliates	254	157	405	68
Income tax expense	88	54	138	14
Earnings from continuing operations before equity in earnings (losses) of unconsolidated affiliates	166	103	267	54
Equity in earnings (losses) of unconsolidated affiliates	4	(5)	3	(36)
Net earnings from continuing operations	170	98	270	18
Net earnings from discontinued operations, net of tax	—	5	—	12
Net earnings	170	103	270	30
Less: Net earnings (loss) attributable to non-controlling interests	—	(9)	14	(60)
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	\$170	\$112	\$256	\$90
Amounts attributable to Fidelity National Financial, Inc. common shareholders				
Net earnings attributable to Old FNF common shareholders	\$—	\$112	\$—	\$90
Net earnings attributable to FNF Group common shareholders	\$160	\$—	\$246	\$—
Net earnings attributable to FNFV Group common shareholders	\$10	\$—	\$10	\$—
See Notes to Condensed Consolidated Financial Statements				

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS - Continued
 (In millions, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Earnings per share				
Basic				
Net earnings per share from continuing operations attributable to Old FNF common shareholders	\$—	\$0.39	\$—	\$0.29
Net earnings per share from discontinued operations attributable to Old FNF common shareholders	—	0.02	—	0.04
Net earnings per share attributable to Old FNF common shareholders	\$—	\$0.41	\$—	\$0.33
Net earnings per share attributable to FNF Group common shareholders	\$0.57	\$—	\$0.88	\$—
Net earnings per share attributable to FNFV Group common shareholders	\$0.12	\$—	\$0.12	\$—
Diluted				
Net earnings per share from continuing operations attributable to Old FNF common shareholders	\$—	\$0.38	\$—	\$0.28
Net earnings per share from discontinued operations attributable to Old FNF common shareholders	—	0.02	—	0.04
Net earnings per share attributable to Old FNF common shareholders	\$—	\$0.40	\$—	\$0.32
Net earnings per share attributable to FNF Group common shareholders	\$0.56	\$—	\$0.86	\$—
Net earnings per share attributable to FNFV Group common shareholders	\$0.12	\$—	\$0.12	\$—
Weighted average shares outstanding Old FNF common stock, basic basis	—	275	—	275
Weighted average shares outstanding Old FNF common stock, diluted basis	—	283	—	282
Cash dividends paid per share Old FNF common stock	\$—	\$0.18	\$—	\$0.36
Weighted average shares outstanding FNF Group common stock, basic basis	279	—	278	—
Weighted average shares outstanding FNF Group common stock, diluted basis	287	—	287	—
Cash dividends paid per share FNF Group common stock	\$0.19	\$—	\$0.38	\$—
Weighted average shares outstanding FNFV Group common stock, basic basis	78	—	84	—
Weighted average shares outstanding FNFV Group common stock, diluted basis	80	—	86	—
See Notes to Condensed Consolidated Financial Statements				

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
 (In millions)

	Three months ended June 30, 2015 2014 (Unaudited)		Six months ended June 30, 2015 2014 (Unaudited)	
Net earnings	\$170	\$103	\$270	\$30
Other comprehensive earnings:				
Unrealized (loss) gain on investments and other financial instruments, net (excluding investments in unconsolidated affiliates) (1)	(19)	12	(11)	21
Unrealized gain (loss) on investments in unconsolidated affiliates (2)	7	5	(5)	(1)
Unrealized (loss) gain on foreign currency translation (3)	(4)	6	(7)	3
Reclassification adjustments for change in unrealized gains and losses included in net earnings (4)	—	(1)	—	(1)
Other comprehensive (loss) earnings	(16)	22	(23)	22
Comprehensive earnings	154	125	247	52
Less: Comprehensive earnings (loss) attributable to non-controlling interests	—	(9)	14	(60)
Comprehensive earnings attributable to Fidelity National Financial, Inc. common shareholders	\$154	\$134	\$233	\$112
Comprehensive earnings attributable to Old FNF common shareholders	\$—	\$134	\$—	\$112
Comprehensive earnings attributable to FNF Group common shareholders	\$137	\$—	\$228	\$—
Comprehensive earnings attributable to FNFV Group common shareholders	\$17	\$—	\$5	\$—

Net of income tax (benefit) expense of \$(11) million and \$7 million for the three-month periods ended June 30, (1)2015 and 2014, respectively, and \$(6) million and \$12 million for the six-month periods ended June 30, 2015 and 2014, respectively.

Net of income tax expense (benefit) of \$5 million and \$3 million for the three-month periods ended June 30, 2015 (2)and 2014, respectively, and \$(3) million and \$(1) million for the six-month periods ended June 30, 2015 and 2014, respectively.

Net of income tax (benefit) expense of \$(3) million and \$4 million for the three-month periods ended June 30, 2015 (3)and 2014, respectively, and \$(5) million and \$2 million for the six-month periods ended June 30, 2015 and 2014, respectively.

(4)Net of income tax benefit of less than \$1 million for the three and six-month periods ended June 30, 2014.

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(In millions)

(Unaudited)

	Fidelity National Financial, Inc. Common Shareholders									
	FNF Group Common Stock Shares	FNFV Group Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock Share	Non- controlling Interests	Total Equity	Redeemable Non- controlling Interests	
Balance, December 31, 2014	280	\$—93	\$—4,855	\$1,150	\$ 2	—	\$(13)	\$ 79	\$6,073	\$ 715
Equity offering costs	—	—	(1)	—	—	—	—	—	(1)	—
Exercise of stock options	1	—	14	—	—	—	—	—	14	—
Treasury stock repurchased	—	—	—	—	—	16	(260)	—	(260)	—
Tax benefit associated with the exercise of stock options	—	—	11	—	—	—	—	—	11	—
Other comprehensive earnings — unrealized loss on investments and other financial instruments	—	—	—	—	(11)	—	—	—	(11)	—
Other comprehensive earnings — unrealized loss on investments in unconsolidated affiliates	—	—	—	—	(5)	—	—	—	(5)	—
Other comprehensive earnings — unrealized loss on foreign currency translation	—	—	—	—	(7)	—	—	—	(7)	—
Stock-based compensation	—	—	19	—	—	—	—	(46)	(27)	59
Retirement of treasury shares	—	(12)	(186)	—	—	(12)	186	—	—	—
Dividends declared	—	—	—	(106)	—	—	—	—	(106)	—
Dilution of ownership in unconsolidated affiliates	—	—	(4)	—	—	—	—	—	(4)	—

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Proceeds from Black Knight IPO	—	—	—	—	—	—	—	475	475	—
Gain on Black Knight IPO	—	—	—	53	—	—	—	(96)	(43)	—
Reclassification of redeemable NCI resulting from IPO/share conversion	—	—	—	—	—	—	—	430	430	(430)
Contributions to non-controlling interests	—	—	—	—	—	—	—	(7)	(7)	—
Sale of non-controlling interest	—	—	—	—	—	—	—	(27)	(27)	—
Subsidiary dividends declared to non-controlling interests	—	—	—	—	—	—	—	(2)	(2)	—
Purchase of additional share in consolidated subsidiaries	—	—	—	(6)	—	—	—	—	(6)	—
Net earnings	—	—	—	—	256	—	—	14	270	—
Balance, June 30, 2015	281	\$—81	\$—\$ 4,755	\$1,300	\$ (21)) 4	\$(87)	\$ 820	\$6,767	\$ 344

See Notes to Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	For the six months ended June 30,	
	2015	2014
	(Unaudited)	
Cash flows from operating activities:		
Net earnings	\$270	\$30
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	204	235
Equity in (earnings) losses of unconsolidated affiliates	(3	) 36
Gain on sales of investments and other assets, net	(9	) (1
Gain on sale of Cascade Timberlands	(12) —
Stock-based compensation cost	32	25
Tax benefit associated with the exercise of stock options	(11	) (2
Changes in assets and liabilities, net of effects from acquisitions:		
Net increase in pledged cash, pledged investments, and secured trust deposits	(1) —
Net increase in trade receivables	(65	) (43
Net increase in prepaid expenses and other assets	(48	) (75
Net decrease in accounts payable, accrued liabilities, deferred revenue and other	(76	) (246
Net decrease in reserve for title claim losses	(9	) (29
Net change in income taxes	106	59
Net cash provided by (used in) operating activities	378	(11
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	405	454
Proceeds from calls and maturities of investment securities available for sale	159	160
Proceeds from sales of other assets	14	2
Additions to property and equipment and capitalized software	(103	) (83
Purchases of investment securities available for sale	(606	) (607
Net (purchases of) proceeds from short-term investment securities	(47	) 4
Net purchases of other long-term investments	(21	) (39
(Contributions to) distributions from investments in unconsolidated affiliates	(35	) 20
Distributions from unconsolidated affiliates	154	—
Net other investing activities	(7	) (3
Acquisition of Lender Processing Services, Inc., net of cash acquired	—	(2,248
Acquisition of USA Industries, Inc., net of cash acquired	—	(40
Acquisition of BPG Holdings, LLC, net of cash acquired	(43) —
Acquisition of Compass and Prospective	(19) —
Proceeds from sale of Cascades Timberlands	56	—
Other acquisitions/disposals of businesses, net of cash acquired	(13	) 2
Net cash used in investing activities	(106	) (2,378
Cash flows from financing activities:		
Borrowings	1,334	1,509
Debt service payments	(1,309	) (584
Additional investment in non-controlling interest	(6) —
Proceeds from sale of 35% of Black Knight Financial Services, LLC and ServiceLink, LLC to minority interest holder	—	687

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Proceeds from Black Knight IPO	475	—
Dividends paid	(106)	(99)
Subsidiary dividends paid to non-controlling interest shareholders	(2)	(9)
Exercise of stock options	14	16
Equity and debt issuance costs	(1)	(2)
Tax benefit associated with the exercise of stock options	11	2
Distributions by BKFS to member	(17)	—
Purchases of treasury stock	(252)	—
Net cash provided by financing activities	141	1,520
Net increase (decrease) in cash and cash equivalents, excluding pledged cash related to secured trust deposits	413	(869)
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at beginning of period	564	1,630
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at end of period	\$977	\$761
Supplemental cash flow information:		
Income taxes paid, net	\$26	\$(48)
Interest paid	\$61	\$66
See Notes to Condensed Consolidated Financial Statements		

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note A — Basis of Financial Statements

The unaudited financial information in this report includes the accounts of Fidelity National Financial, Inc. and its subsidiaries (collectively, “we,” “us,” “our,” or “FNF”) prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. All adjustments made were of a normal, recurring nature. This report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014. Certain reclassifications have been made in the 2014 Condensed Consolidated Financial Statements to conform to classifications used in 2015.

Description of the Business

We have organized our business into two groups, FNF Core Operations and FNF Ventures (“FNFV”).

Through our Core Operations, FNF is a leading provider of (i) title insurance, escrow and other title related services, including collection and trust activities, trustee sales guarantees, recordings and reconveyances and home warranty insurance and (ii) technology and transaction services to the real estate and mortgage industries. FNF is the nation’s largest title insurance company operating through its title insurance underwriters - Fidelity National Title Insurance Company, Chicago Title Insurance Company, Commonwealth Land Title Insurance Company, Alamo Title Insurance and National Title of New York Inc. - that collectively issue more title insurance policies than any other title company in the United States. FNF also provides industry-leading mortgage technology solutions and transaction services, including MSP®, the leading residential mortgage servicing technology platform in the U.S., through its majority-owned subsidiaries, Black Knight Financial Services, Inc. (“Black Knight”) and ServiceLink Holdings, LLC (“ServiceLink”).

Through our FNFV group, we own majority and minority equity investment stakes in a number of entities, including American Blue Ribbon Holdings, LLC (“ABRH”), J. Alexander’s, LLC (“J. Alexander’s”), Ceridian HCM, Inc. and Fleetcor Technologies, Inc. (collectively “Ceridian”) and Digital Insurance, Inc. (“Digital Insurance”).

As of June 30, 2015, we had the following reporting segments:

FNF Core Operations

Title. This segment consists of the operations of our title insurance underwriters and related businesses. This segment provides core title insurance and escrow and other title related services including collection and trust activities, trustee sales guarantees, recordings and reconveyances, and home warranty insurance. This segment also includes the transaction services business acquired from Lender Processing Services (“LPS”), now combined with our ServiceLink business. Transaction services include other title related services used in the production and management of mortgage loans, including mortgage loans that experience default.

Black Knight. This segment consists of the operations of Black Knight, which, through leading software systems and information solutions, provides mission critical technology and data and analytics services that facilitate and automate many of the business processes across the life cycle of a mortgage.

FNF Core Corporate and Other. This segment consists of the operations of the parent holding company, certain other unallocated corporate overhead expenses, and other smaller real estate and insurance related operations.

FNFV

Restaurant Group. This segment consists of the operations of ABRH, in which we have a 55% ownership interest. ABRH and its affiliates are the owners and operators of the O’Charley’s, Ninety Nine Restaurants, Max & Erma’s, Village Inn, Bakers Square, and Legendary Baking concepts. This segment also includes J. Alexander’s, in which we have an 87% ownership interest, which includes their self-named J. Alexander’s concept as well as the Redlands Grill and the Stoney River Steakhouse and Grill concepts.

FNFV Corporate and Other. This segment primarily consists of our share in the operations of certain equity investments, including Ceridian, as well as consolidated investments, including Digital Insurance, in which we own 96%, and other smaller operations which are not title related.

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FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

Recent Developments

On July 30, 2015 we announced our intention to pursue a tax-free spin-off of ABRH to FNFV stockholders.

On July 20, 2015, we completed the recapitalization of ServiceLink Holdings, LLC through a conversion (the "ServiceLink Conversion") of \$505 million of the \$566 million aggregate preference amount associated with its Class A1 participating preferred units into slightly more than 67.3 million Class A common units. As a result of the ServiceLink Conversion, our ownership percentage in ServiceLink Holdings, LLC increased from 65% to 79%.

On July 20, 2015, our Board of Directors approved a new FNF Group three-year stock repurchase program, effective August 1, 2015, under which we may repurchase up to 25 million shares of FNF Group common stock. Purchases may be made from time to time by us in the open market at prevailing market prices or in privately negotiated transactions through July 31, 2018.

On June 25, 2015, J. Alexander's filed a draft registration statement on Form 10 with the Securities and Exchange Commission ("SEC") for its planned spin-off (the "Spin-off") from FNF. J. Alexander's is currently presented as part of the Restaurant Group segment of FNFV. Immediately prior to the Distribution, FNF will own 13,116,000 shares of common stock of J. Alexander's Holdings, Inc. ("PubliCo"), which represents 87.44% of the total issued and outstanding shares of PubliCo. As a result of the Spin-off, all 13,116,000 of PubliCo shares owned by FNF will be distributed ("the Distribution") in the form of a dividend to common stockholders of FNFV. As a result of the Distribution, each FNFV shareholder is expected to receive 0.1678 shares of PubliCo's common stock for each share of FNFV common stock owned by such shareholder. The Spin-off and Distribution are subject to the satisfaction or waiver of certain conditions as outlined in their Form 10 filed with the SEC on June 25, 2015. The registration statement has not yet become effective. As a result, shares to be registered may not be sold nor may offers to buy be accepted prior to the time when the registration statement becomes effective.

On May 29, 2015, Black Knight completed a redemption (the "Redemption") of \$205 million in aggregate principal of its senior notes ("Black Knight Senior Notes") at a price of 105.750%. Black Knight incurred a charge on the Redemption of \$12 million and also reduced the bond premium by \$7 million for the portion of the premium that relates to the redeemed Black Knight Senior Notes, resulting in a net charge on the Redemption of \$5 million.

Following the Redemption, \$390 million in aggregate principal of Black Knight Senior Notes remained outstanding.

On May 27, 2015, Black Knight InfoServ, LLC ("BKIS"), a subsidiary of Black Knight, entered into a credit and guaranty agreement (the "BKIS Credit Agreement") with an aggregate borrowing capacity of \$1.6 billion, dated as of May 27, 2015, with JPMorgan Chase Bank, N.A. as administrative agent, the guarantors party thereto, the other agents party thereto and the lenders party thereto. FNF is not a party to and does not provide any guaranty or stock pledge under the BKIS Credit Agreement.

On May 27, 2015, we entered into an amendment to our existing \$800 million third amended and restated credit agreement (as previously amended, the "Existing Revolving Credit Agreement"), dated as of June 25, 2013, with Bank of America, N.A., as administrative agent, the other agents party thereto and the financial institutions party thereto as lenders (the "FNF Amended Revolving Credit Agreement"). Among other changes, the FNF Amended Revolving Credit Agreement amends the Existing Revolving Credit Agreement to permit FNF and its subsidiaries to incur the indebtedness and liens in connection with the BKIS Credit Agreement.

On May 26, 2015, Black Knight closed its initial public offering ("IPO") of 20,700,000 shares of Class A common stock at a price to the public of \$24.50 per share, which included 2,700,000 shares of Class A common stock issued upon the exercise in full of the underwriters' option to purchase additional shares. Black Knight received net proceeds of \$475 million from the offering, after deduction of underwriter discount and expenses. In connection with the IPO, Black Knight amended and restated their certificate of incorporation to authorize the issuance of two classes of common stock, Class A common stock and Class B common stock, which will generally vote together as a single class on all matters submitted for a vote to stockholders. As a result, Black Knight issued shares of Class B common stock to us, and certain Thomas H. Lee Partners affiliates, as the holders of membership interests in Black Knight Operating, LLC prior to the IPO. Class B common stock is not publicly traded and does not entitle the holders thereof

to any of the economic rights, including rights to dividends and distributions upon liquidation that would be provided to holders of Class A common stock. Prior to the IPO, we owned 67% of the membership interests in Black Knight Operating LLC. Following the IPO, we own 55% of the outstanding shares of Black Knight in the form of Class B common stock, with a corresponding ownership interest in Black Knight Operating, LLC.

On March 20, 2015, we completed our tender offer to purchase shares of FNFV stock. As a result of the offer, we accepted for purchase 12,333,333 shares of FNFV Group Common Stock for a purchase price of \$15.00 per common share, for a total aggregate cost of \$185 million, excluding fees and expenses related to the tender offer.

On January 16, 2015, we closed the sale of substantially all of the assets of Cascade Timberlands, LLC ("Cascade") which grows and sells timber and in which we owned a 70.2% interest, for \$85 million less a replanting allowance of \$1 million and an

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

indemnity holdback of \$1 million. The revenue from the sale was recorded in Escrow, title related and other fees and the cost of the land sold was in Other operating expenses in the Condensed Consolidated Statement of Operations in the six months ended June 30, 2015. The effect of the sale on FNFV's net earnings was income of approximately \$12 million. There was no effect on net earnings attributable to FNFV Group common shareholders due to offsetting amounts attributable to noncontrolling interests.

Acquisitions

The results of operations and financial position of the entities acquired during any year are included in the Condensed Consolidated Financial Statements from and after the date of acquisition.

On June 4, 2015, Digital Insurance closed on the purchase of Compass Consulting Group, Inc. ("Compass") and Prospective Risk Management Corporation ("Prospective"), pursuant to a certain Stock Purchase Agreement, for approximately \$21 million. We have consolidated the results of Compass and Prospective as of June 30, 2015.

Compass provides insurance and employee benefits consulting services for companies nationwide. Prospective is a third-party health care underwriting and consulting firm that offers risk assessment and risk consulting services to health insuring corporations, Professional Employer Organizations and Multiple Employer Welfare Arrangement organizations, single employer plans, and the agent/broker/health care consultant community.

On February 12, 2015, we closed the purchase of BPG Holdings, LLC ("BPG"), pursuant to a certain Membership Interest Purchase Agreement, for \$46 million. We consolidated the results of BPG as of March 31, 2015. BPG is a recognized leader in home warranty, home inspection services and commercial inspections.

Discontinued Operations

Remy

On December 31, 2014, we completed the distribution (the "Remy Spin-off") of all of the outstanding shares of common stock of New Remy Corp. ("New Remy", NASDAQ: REMY) to FNFV shareholders. We continue to hold \$29 million in Remy term loans, which are included in Fixed maturities available for sale on the Condensed Consolidated Balance Sheet. Prior to the Remy Spin-off these investments were eliminated in consolidation.

As a result of the Remy Spin-off, the results from New Remy are reflected in the Condensed Consolidated Statements of Earnings as discontinued operations for the three and six months ended June 30, 2014. Total revenue included in discontinued operations was \$301 million and \$603 million for the three and six months ended June 30, 2014, respectively. Pre-tax earnings included in discontinued operations were \$8 million and \$18 million for the three and six months ended June 30, 2014.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

A reconciliation of the operations of Remy to the Statement of Earnings is shown below:

	Three months ended June 30, 2014 (In millions)	Six months ended June 30, 2014 (In millions)
Revenues:		
Auto parts revenues	\$300	\$602
Other revenues	1	1
Total	301	603
Expenses:		
Personnel costs	21	43
Other operating expenses	14	24
Cost of auto parts revenues	251	505
Depreciation & amortization	1	2
Interest expense	6	11
Total expenses	293	585
Earnings from discontinued operations before income taxes	8	18
Income tax expense	3	6
Net earnings from discontinued operations	5	12
Less: Net earnings attributable to non-controlling interests	2	5
Net earnings from discontinued operations attributable to Fidelity National Financial, Inc. common shareholders	\$3	\$7
Cash flow from discontinued operations data:		
Net cash provided by (used in) operations	\$5	\$(4)
Net cash used in investing activities	(5)	)(52)

Earnings Per Share

Basic earnings per share, as presented on the Condensed Consolidated Statement of Earnings, is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. In periods when earnings are positive, diluted earnings per share is calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding plus the impact of assumed conversions of potentially dilutive securities. For periods when we recognize a net loss, diluted earnings per share is equal to basic earnings per share as the impact of assumed conversions of potentially dilutive securities is considered to be antidilutive. We have granted certain stock options, shares of restricted stock, convertible debt instruments and certain other convertible share based payments which have been treated as common share equivalents for purposes of calculating diluted earnings per share for periods in which positive earnings have been reported. Options or other instruments which provide the ability to purchase shares of our common stock that are antidilutive are excluded from the computation of diluted earnings per share. There were no antidilutive options during the three and six months ended June 30, 2015 and June 30, 2014.

As of the close of business on June 30, 2014, we completed the recapitalization of Old FNF common stock into two tracking stocks, FNF Group common stock and FNFV Group common stock. As a result of the recapitalization, the weighted average shares outstanding presented on the Condensed Consolidated Statements of Earnings for the three and six month period ended June 30, 2014 includes shares of Old FNF common stock. The weighted average shares

outstanding presented on the Condensed Consolidated Statements of Earnings for the three and six month periods ended June 30, 2015 include shares of FNF Group common stock and FNFV Group common stock. Earnings per share for all periods presented are attributed to the related class of common stock.

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Accounting for Sales of Stock by a Subsidiary

As discussed above, Black Knight closed on its IPO on May 26, 2015. Black Knight received net proceeds of \$475 million from the offering, net of underwriting discounts and fees. As a result, we recorded a \$53 million gain to additional paid in capital, a decrease in non-controlling interest in consolidated subsidiary of \$96 million and an increase to deferred tax liability of \$43 million.

Recent Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-02 Consolidation (Topic 810). This ASU changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. The ASU eliminates the ASU 2010-10 deferral of the ASU 2009-17 VIE consolidation requirements for certain investment companies and similar entities. In addition, the ASU excludes money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940 or that operate under requirements similar to those in Rule 2a-7 from the GAAP consolidation requirements. The ASU also significantly changes how to evaluate voting rights for entities that are not similar to limited partnerships when determining whether the entity is a VIE, which may affect entities for which the decision making rights are conveyed through a contractual arrangement. The update allows for the application of the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or retrospective application prior periods. We are evaluating the effect this new guidance will have on our consolidated financial statements and related disclosures and have not yet determined the effect of the standard on our ongoing financial reporting. This update is effective for annual and interim periods beginning on or after December 15, 2015, with early application permitted.

In April 2015, FASB issued ASU No. 2015-03 Interest - Imputation of Interest (Subtopic 835-30). The ASU was issued as part of FASB's current plan to simplify overly complex standards. To simplify presentation of debt issuance costs, the amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. The update requires retrospective application to all prior period amounts presented. This update is effective for annual and interim periods beginning on or after December 15, 2015, with early application permitted. We have early adopted the standard as of June 30, 2015 and have retrospectively applied the standard to all periods presented. Accordingly, unamortized debt issuance costs of \$36 million and \$23 million have been reclassified from Other intangible assets to offset Notes payable in the Condensed Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014, respectively. Had we adopted this ASU as of March 31, 2015, \$23 million of debt issuance costs would have been reclassified from Other intangible assets to offset Note payable in our March 31, 2015 Condensed Consolidated Balance Sheet. The reclassification had no effect on income or retained earnings in any period.

In May 2015, FASB issued ASU No. 2015-09 Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts. The amendments in this ASU require insurance entities to disclose for annual reporting periods additional information about the liability for unpaid claims and claim adjustment expenses related to short-duration contracts. The amendments also require insurance entities to disclose information about significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses. This update is effective for annual and interim periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016, with early application permitted. We do not expect this update to have a significant effect on our ongoing financial reporting as our primary insurance products are not short-duration contracts. However, we are still evaluating the totality of the effects the update will have on our disclosures.

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Note B — Fair Value Measurements

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014, respectively:

	June 30, 2015			Total
	Level 1	Level 2	Level 3	
	(In millions)			
Fixed maturity securities available for sale:				
U.S. government and agencies	\$—	\$115	\$—	\$115
State and political subdivisions	—	879	—	879
Corporate debt securities	—	1,638	—	1,638
Mortgage-backed/asset-backed securities	—	86	—	86
Foreign government bonds	—	108	—	108
Preferred stock available for sale	61	239	—	300
Equity securities available for sale	278	11	—	289
Total assets	\$339	\$3,076	\$—	\$3,415
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed maturity securities available for sale:				
U.S. government and agencies	\$—	\$115	\$—	\$115
State and political subdivisions	—	948	—	948
Corporate debt securities	—	1,820	—	1,820
Mortgage-backed/asset-backed securities	—	105	—	105
Foreign government bonds	—	37	—	37
Preferred stock available for sale	50	173	—	223
Equity securities available for sale	145	—	—	145
Total assets	\$195	\$3,198	\$—	\$3,393

Our Level 2 fair value measures for fixed-maturities available for sale are provided by third-party pricing services. We utilize one firm for our taxable bond and preferred stock portfolio and another for our tax-exempt bond portfolio.

These pricing services are leading global providers of financial market data, analytics and related services to financial institutions. We rely on one price for each instrument to determine the carrying amount of the assets on our balance sheet. The inputs utilized in these pricing methodologies include observable measures such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications. We review the pricing methodologies for all of our Level 2 securities by obtaining an understanding of the valuation models and assumptions used by the third-party as well as independently comparing the resulting prices to other publicly available measures of fair value and internally developed models. The pricing methodologies used by the relevant third-party pricing services are as follows:

• U.S. government and agencies: These securities are valued based on data obtained for similar securities in active markets and from inter-dealer brokers.

• State and political subdivisions: These securities are valued based on data obtained for similar securities in active markets and from inter-dealer brokers. Factors considered include relevant trade information, dealer quotes and other relevant market data.

• Corporate debt securities: These securities are valued based on dealer quotes and related market trading activity. Factors considered include the bond's yield, its terms and conditions, and any other feature which may influence its

risk and thus marketability, as well as relative credit information and relevant sector news.

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Mortgage-backed/asset-backed securities: These securities are comprised of agency mortgage-backed securities, collateralized mortgage obligations, and asset-backed securities. They are valued based on available trade information, dealer quotes, cash flows, relevant indices and market data for similar assets in active markets.

Foreign government bonds: These securities are valued based on a discounted cash flow model incorporating observable market inputs such as available broker quotes and yields of comparable securities.

Preferred stocks: Preferred stocks are valued by calculating the appropriate spread over a comparable U.S. Treasury security. Inputs include benchmark quotes and other relevant market data.

Equity securities available for sale: This security is valued using a blending of two models, a discounted cash flow model and a comparable company model utilizing earnings and multiples of similar publicly-traded companies.

As of June 30, 2015 and December 31, 2014 we held no assets nor liabilities measured at fair value using Level 3 inputs.

The carrying amounts of short-term investments, accounts receivable and notes receivable approximate fair value due to their short-term nature. Additional information regarding the fair value of our investment portfolio is included in Note C.

Note C — Investments

The carrying amounts and fair values of our available for sale securities at June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015				
	Carrying Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)				
Fixed maturity securities available for sale:					
U.S. government and agencies	\$115	\$112	\$3	\$—	\$115
State and political subdivisions	879	855	25	(1)	879
Corporate debt securities	1,638	1,622	30	(14)	1,638
Mortgage-backed/asset-backed securities	86	82	4	—	86
Foreign government bonds	108	119	—	(11)	108
Preferred stock available for sale	300	300	4	(4)	300
Equity securities available for sale	289	214	84	(9)	289
Total	\$3,415	\$3,304	\$150	\$(39)	\$3,415
	December 31, 2014				
	Carrying Value	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)				
Fixed maturity securities available for sale:					
U.S. government and agencies	\$115	\$112	\$3	\$—	\$115
State and political subdivisions	948	917	31	—	948
Corporate debt securities	1,820	1,793	37	(10)	1,820
Mortgage-backed/asset-backed securities	105	101	4	—	105
Foreign government bonds	37	40	—	(3)	37
Preferred stock available for sale	223	223	3	(3)	223
Equity securities available for sale	145	72	79	(6)	145
Total	\$3,393	\$3,258	\$157	\$(22)	\$3,393

The cost basis of fixed maturity securities available for sale includes an adjustment for amortized premium or accreted discount since the date of purchase.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) — continued

The following table presents certain information regarding contractual maturities of our fixed maturity securities at June 30, 2015:

Maturity	June 30, 2015		Fair Value	% of Total	
	Amortized Cost	% of Total			
	(Dollars in millions)				
One year or less	\$342	12	% \$343	12	%
After one year through five years	2,007	72	2,027	72	
After five years through ten years	346	12	356	13	
After ten years	14	1	14	—	
Mortgage-backed/asset-backed securities	82	3	86	3	
Total	\$2,791	100	% \$2,826	100	%
Subject to call	\$1,634	59	% \$1,647	58	%

Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Included above in amounts subject to call are \$1,308 million and \$1,317 million in amortized cost and fair value, respectively, of fixed maturity securities with make-whole call provisions as of June 30, 2015.

Net unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2015 and December 31, 2014, were as follows (in millions):

June 30, 2015

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$437	\$(14)	\$10	\$—	\$447	\$(14)
Foreign government bonds	98	(9)	11	(2)	109	(11)
State and political subdivisions	95	—	7	(1)	102	(1)
Preferred stock available for sale	155	(3)	13	(1)	168	(4)
Equity securities available for sale	110	(9)	—	—	110	(9)
Total temporarily impaired securities	\$895	\$(35)	\$41	\$(4)	\$936	\$(39)

December 31, 2014

	Less than 12 Months	12 Months or Longer	Total
	Fair Value	Unrealized Losses	Fair Value